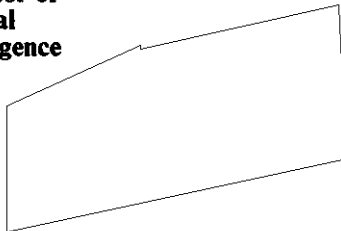




**Director of
Central
Intelligence**



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National Intelligence Daily (Cable)

7 August 1982

DIA review completed.

State Dept. review completed

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Page Denied

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Contents

25X1

Israel-Lebanon: *Progress on PLO Withdrawal* 1

Iran-Iraq: [redacted] 3

25X1

USSR-Lebanon: *Soviet Diplomatic Activity* 4

Argentina: *Political Currents in the Military* 5

[redacted]

Italy: *Political Crisis* 7 25X1

China: *Preparations for Party Congress* 8

[redacted]

China-France: *Results of Cheysson's Visit* 9

Special Analysis

Iraq-Iran: *Political Impact of the Invasion* 10

25X1

25X1

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ISRAEL-LEBANON: Progress on PLO Withdrawal

(Information as of 2330 EDT)

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//The Israeli air attack yesterday on a building in West Beirut probably was designed to kill some PLO leaders. Israeli and Palestinian forces engaged in limited exchanges of artillery and rocket fire. Substantial progress reportedly has been made in the PLO withdrawal talks, but many details remain to be resolved.//

An Israeli aircraft yesterday bombed a building in West Beirut that housed both PLO offices and refugees. The Israelis reportedly believed PLO chief Arafat was scheduled to go to the building, although the attack occurred some 10 minutes before his expected arrival.

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Israeli and Palestinian clashes were concentrated in the area of the Museum Crossing and the Hippodrome, although several sections of southwest Beirut came under fire. Israeli gunboats also shelled several areas in West Beirut.

Guerrilla Attacks

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The Israelis continue to report behind-the-lines sabotage and ambushes by Palestinian guerrillas. An Israeli military officer on Thursday told the US defense attache in Tel Aviv that 29 incidents had occurred in Lebanon since 22 July.

An Israeli Defense Force spokesman said yesterday that three guerrillas were killed in an infiltration attempt near Al Qir'awn in the southern Bekaa Valley. The Israeli news service reports the latest incident prompted Israel to send a warning note to the Syrians, whom it holds responsible for the attacks.

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Status of Negotiations

Prime Minister Wazzan, one of the chief Lebanese intermediaries with the Palestinians, said yesterday that the PLO had agreed to leave Beirut within 15 days. A PLO spokesman also said an agreement on Palestinian withdrawal has been reached and only a few details remained under discussion. According to press reports, some of the Palestinians may leave by sea. [REDACTED]

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Comment: //The optimism expressed by the Lebanese and Palestinians suggests some major issues regarding the PLO departure have been solved. The PLO apparently has agreed to surrender its heavy weapons before leaving and to accept the arrival of a European contingent of the proposed multinational force as the PLO begins its departure. The Palestinians had rejected proposals the multinational force arrive after their departure had begun.// [REDACTED]

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//The main issues that remain unresolved appear to be the arrangement of a permanent cease-fire, the deployment of international observers, and the determination of the precise destinations of the various PLO units.// [REDACTED]

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//The Palestinians will also want firm guarantees for their safety during their departure. The Israelis, for their part, may object to the arrival of the multinational force simultaneously with the beginning of the PLO departure. They believe the PLO will refuse to leave once it is shielded by the foreign troops.// [REDACTED]

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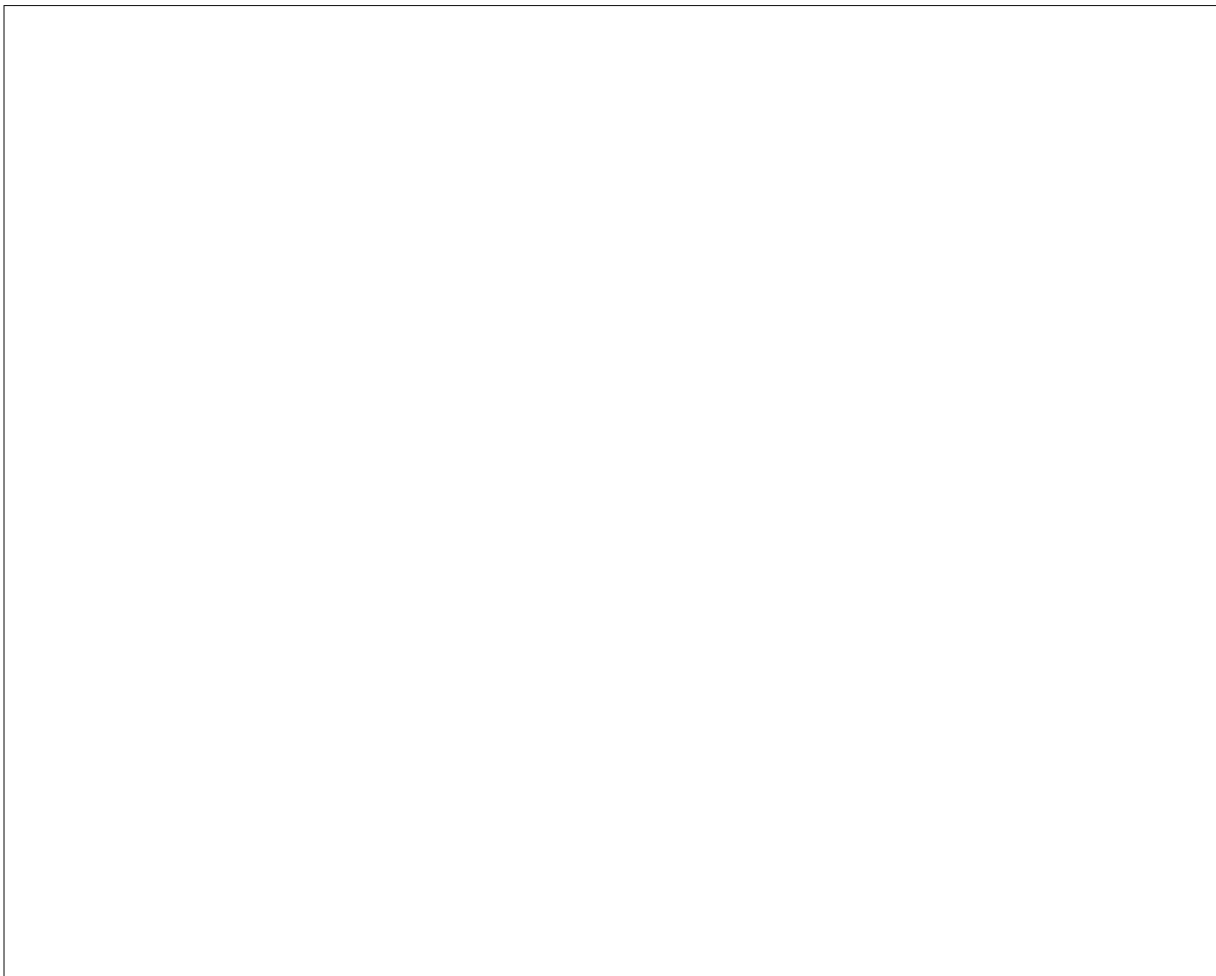
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IRAN-IRAQ:

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(Information as of 2300 EDT)



Iraqi Supply Lines

According to the international trade press, the Iranian invasion has caused some shippers to divert their cargoes from Kuwait to the Jordanian port of Al Aqabah. As a result, the number of ships calling at Al Aqabah reportedly has doubled since mid-June. [REDACTED]

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Iran has warned shippers carrying Iraqi goods to stay away from Kuwaiti ports. These ports handle about one-fourth to one-third of Iraq's imports, including most Soviet military equipment. [REDACTED]

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USSR-LEBANON: Soviet Diplomatic Activity

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Moscow is trying to exploit the impasse in West Beirut and to repair some of the damage to its prestige in the Middle East.

The USSR's proposed resolution at the UN yesterday calling for a halt to military assistance to Israel capped a week of increased Soviet diplomatic activity. Since 1 August, the Soviets have issued a TASS statement, publicized a second message from President Brezhnev to President Reagan, and put out a lengthy editorial in *Pravda*.

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On Thursday Premier Tikhonov met in Moscow with the Nonaligned Movement's "Committee on the Palestine Question," and TASS carried a telegram from Brezhnev to PLO chief Arafat. Moscow also sent a message to Egyptian Foreign Minister Ghali on the situation in Lebanon.

25X1

Comment: The recent flurry of diplomatic activity contrasts with Moscow's low-key reaction earlier in the crisis. The Soviets may believe the increased scale of Israeli military action in West Beirut presents a good opportunity to undercut US mediation efforts and to portray the USSR as an active participant in the crisis.

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The Soviets will persist in their efforts to pin responsibility on the US for Israeli actions. Nevertheless, Moscow's stress on the need for a coordinated Arab response to the situation in Lebanon indicates the Soviets are continuing to justify their own unwillingness to offer more tangible support for the Palestinians.

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ARGENTINA: Political Currents in the Military

//Air Force commander Lami Dozo's resignation on Thursday underscores the regime's inability to contain the discontent developing within the armed forces.// [redacted] 25X1 25X1

//Lami Dozo came under fire for calling for the formation of a government political party to represent military interests after the transition to civilian rule. [redacted]

//The resignation followed an attempt by service representatives to reconstitute the junta. [redacted]

On Thursday talks appeared to have completely broken down according to the US Embassy.// [redacted] 25X1

The regime is trying to allay military and civilian concerns. Nicolaides has retired the commander of the Falklands theater of operations to demonstrate that higher ranks would not escape responsibility. He also has publicly reassured the armed forces that no investigations into military conduct during the antisubversive campaign of the 1970s would be allowed. [redacted] 25X1 25X1

Meanwhile, President Bignone announced the outlines of the long-awaited political party law, a major step toward scheduling an election. [redacted] 25X1

Comment: *//The resignation and other moves by the government may have given the administration some breathing space. Disgruntlement over the conduct of operations in the war was the basic motivation in forcing Lami Dozo out, however, and lower ranking officers probably will try harder to force Anaya and Nicolaides from office as well.//* [redacted] 25X1

//Bignone--whose designation as President was imposed by Nicolaides--also is in jeopardy. The infighting is hindering the regime's efforts to formulate policy, leaving it susceptible to pressures from labor unions and other interest groups seeking relief from deteriorating economic conditions.// [redacted] 25X1

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ITALY: Political Crisis

Prime Minister Spadolini probably will announce his resignation today, following the decision yesterday by Socialist Party leaders to quit the government. [redacted]

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The Socialists' decision was prompted by the defection of 30 Christian Democratic deputies to the opposition during a secret vote on the government's austerity program. President Pertini reportedly told the press that he would begin consultations on a new government on Monday. The press expects that Pertini will ask Spadolini to act in a caretaker capacity until a successor government has been formed. [redacted]

25X1

Comment: It is not certain that Pertini will accept Spadolini's resignation. For months Pertini has insisted that the present government must fall on a vote of confidence in parliament. The Socialists and Christian Democrats have been concerned that an open move against Spadolini in parliament would eventually work to their disadvantage at the polls, and Pertini has used this concern since last fall as a lever to force the parties back into line. [redacted]

25X1

Pertini may have concluded that a drawn out succession of temporary truces among the coalition partners is not in Italy's longer term interest. He also may have been convinced by the Socialists' decisiveness in the last two days that Socialist leader Craxi believes the onus for a crisis now would fall on the Christian Democrats. [redacted]

25X1

If the President agrees to let Spadolini step down, he will try to avoid an early dissolution of the legislature. He may find among the Christian Democratic and Communist leaders willing allies in his delaying efforts. These leaders probably anticipate electoral losses if called to the polls soon. [redacted]

25X1

Pertini will proceed cautiously if the situation becomes critical, and the deliberations could take several weeks. Spadolini would probably emerge as Pertini's initial choice to lead the new government. Should Spadolini fail to find the necessary support in parliament, however, the President is likely to turn to at least two Christian Democrats before approaching Craxi. [redacted]

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CHINA: Preparations for Party Congress

A one-day plenary session of the party's Central Committee held yesterday concluded arrangements for the 12th Party Congress that will augment recent gains by Deng Xiaoping and his political allies. The plenum announced the congress will open on 1 September. It also approved a draft work report and party constitution. In addition, the plenum adopted "letters of respect" to two elderly party leaders who were retired. [REDACTED]

25X1

Comment: The brevity of the meeting, the firm date for the congress, and the inactivity of Deng's major opponents in the period preceding the plenum suggest the new Central Committee elected at the congress will reflect Deng's policy views and be dominated by younger and more pragmatic officials. The letters presage the forced or voluntary retirement of many older party leaders, including opponents of Deng. They may be given seats on an advisory body as a face-saving gesture. [REDACTED]

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CHINA-FRANCE: Results of Cheysson's Visit

China has used the visit of French Foreign Minister Cheysson earlier this week to emphasize its interest in a regular high-level dialogue and wider access to French technology and military supplies. Foreign Minister Huang Hua objected to French economic aid for Vietnam and to French policy toward Indochina, but he did not allow these differences to disrupt the visit. Instead, Huang, Vice Chairman Deng Xiaoping, and other officials told Cheysson they endorse formal contacts at senior political levels, are interested in French aircraft and military hardware, and want preferential access to the French market. [REDACTED]

25X1

Comment: Huang's public stress on the virtues of West European "independence" and his lack of response to Cheysson's description of the strength in US ties to its Allies demonstrate Beijing's desire to keep its distance from Washington on West European issues. Recent Chinese press criticism of the US decision on the Siberian gas pipeline issue and US grain sales has similarly underscored China's backing for West European interests. Nonetheless, Beijing is still suggesting its strategic interests and those of the US with respect to the USSR are parallel, and it is counseling France and the Allies to oppose Soviet objectives. [REDACTED]

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SPECIAL ANALYSIS

IRAQ-IRAN: Political Impact of the Invasion

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//Iraq has, for the moment, prevented the worst by containing Iran's invasion. The Iranians, however, seem intent on continuing their military offensives and probably would win a war of attrition as long as they were willing to suffer the casualties.//

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//The Iraqis have withstood three major phases of Iran's invasion since it began three weeks ago. Iran's previously successful tactics of launching phased head-on assaults along narrow fronts are failing, in part because the compact nature of the Al Basrah front and Iraq's in-depth defenses have allowed Baghdad to move forces rapidly to deal with each phase separately. Iraqi forces

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//Iraq has been heartened by its success so far. President Saddam Hussein's position has been at least temporarily strengthened.//

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//Public morale remains fragile, however, and is likely to worsen if Iran does not show some willingness to negotiate. Although Iraq has not buckled under military pressure, its economy continues to decline and its international prestige has fallen.//

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Subversion and Dissidence

//Internal subversion, apparently fomented by Shia dissidents supported by Iran, also is on the rise. The regime's opponents have mounted two major attacks in the last month--an assassination attempt on Saddam, and a car bombing at the Ministry of Planning that killed more than 50 people.//

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Repercussions in Iran

//The failure of Iranian forces to advance quickly is beginning to have an impact in Tehran. There are unconfirmed reports the Revolutionary Guard is for the first time having difficulty obtaining volunteers. The reports also claim the Army is blaming the Guard for pushing the invasion without adequate planning and preparation.// [redacted]

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//Political and military leaders are claiming the lack of progress in gaining ground stems from their reluctance to hit civilian targets. They also are covering up their losses. There is no evidence as yet, however, that the military setbacks are a major divisive issue in the leadership or that they have diminished Ayatollah Khomeini's stature.// [redacted]

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Prospects

//Khomeini and his clerical supporters have invested too much prestige in their current course to alter it soon. They have shown no increased interest in mediation and probably believe their forces will eventually be victorious.// [redacted]

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//Meanwhile, Iran's leaders want to humiliate Saddam by preventing Baghdad from hosting the Nonaligned Summit scheduled for early September. They probably can attain this goal, but only if Iran maintains its military pressure.// [redacted]

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//Militarily, Iran still holds the initiative. Tehran not only determines the timing, intensity, and scope of the fighting, but also the decision, ultimately,

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to suspend hostilities. Iraq has greater stores of military materiel, but this is offset by Iran's larger manpower pool.// [redacted]

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//Nonetheless, mounting casualties could become a political problem for Tehran. If the Iranians are unable to achieve significant forward movement on the battlefield in the next several weeks, the Khomeini regime could face the difficult decision of changing its military tactics or its area of operations.// [redacted]

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//The Persian Gulf states, which had feared a quick Iranian victory, have been relieved at Iran's failure to achieve a breakthrough. They continue to maintain a low profile, however, avoiding official statements that condemn Iran or support Iraq.// [redacted]

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//The soft oil market and the consequent reductions in revenues this year in the Persian Gulf states will temper these states' willingness to continue their financial support of Baghdad or to help Iraq meet Iran's extravagant demands for war reparations.// [redacted]

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